

Portfolio Breakdown

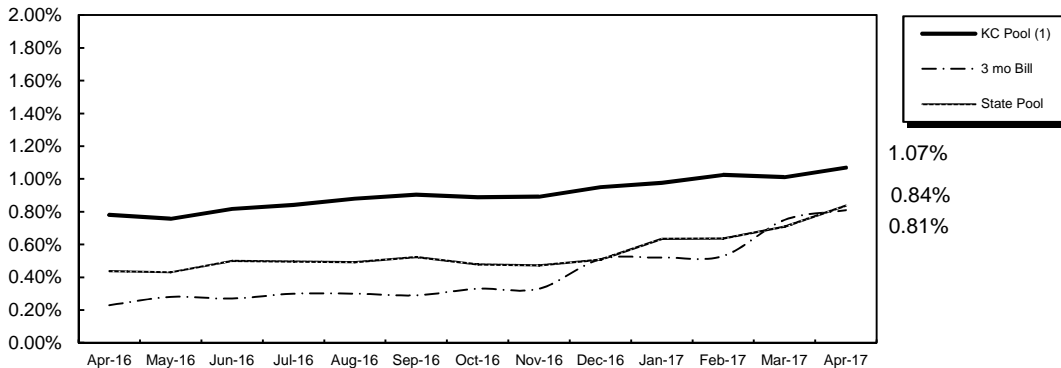
The following is a breakdown of the Investment Pool holdings for April 2017

| | Average (\$000) | % of Portfolio |
|--|--------------------|----------------|
| U.S. Agency Securities | 1,827,893 | 28.1% |
| Commercial Paper | 500,567 | 7.7% |
| Taxable Municipal Securities | - | 0.0% |
| Bankers Acceptances | - | 0.0% |
| Corporate Notes | 1,017,255 | 15.7% |
| U.S. Agency Mortgage-backed Securities | 5,394 | 0.1% |
| Repurchase Agreements (Repos) | 114,600 | 1.8% |
| Treasury Securities | 2,346,959 | 36.1% |
| Certificates of Deposit & Overnight Deposits | - | 0.0% |
| Local Government Investment Pool (LGIP) | 682,101 | 10.5% |
| Reverse Repurchase Agreements | - | 0.0% |
| Tota | \$6,494,769 | 100% |

*Average Pool Effective Duration: 1.06 Years

*Duration is a better measure of interest rate sensitivity than average portfolio maturity.

Investment Pool Performance (before Pool fees)



(1) King County pool distribution rate has not been adjusted for realized losses (or recoveries) from impaired commercial paper investments

Pool Net Asset Fair Value on April 30, 2017

| | |
|--|---------------------------|
| Net Assets ⁽²⁾ | \$7,581,622,007.30 |
| Net Assets Consist of: | |
| Participant units outstanding (\$1.00 par) | \$7,592,244,744.17 |
| Undistributed and unrealized gains(losses) | <u>(\$10,622,736.87)</u> |
| Net Assets | <u>\$7,581,622,007.30</u> |
| Net asset value at fair value price per share ($\$7,581,622,007.30$ divided by $7,592,244,744.17$ units) | <u>\$0.9986</u> |

(2) Excludes impaired assets that have been separated into a separate pool.

Investment Pool Comments:

Asset Allocation: The pool held 64% of its assets in highly-rated U.S. government securities during April. The pool's allocation to U.S. Agencies, commercial paper, corporate notes, and to the LGIP increased during the month, while the pool's holdings of U.S. Treasuries and repurchase agreements declined slightly.

Pool Asset Size & Return: The pool's balance ended April at \$7.6 billion, which was up by nearly \$1.5 billion from March's ending balance. The significant increase in the pool's balance was due to the inflow of property tax money. Just after the April 30 property tax deadline, the pool's balance set a new record high of just over \$7.7 billion. This was up \$400 million from the pool's previous record high. Additionally, the pool's distribution rate improved in April from 1.01% in March to 1.07%, which was a 6 basis point improvement.

Market Value & Duration: The pool's unrealized loss decreased by nearly \$1.4 million between March and April. This was mostly due to a decrease in interest rates in the 3 to 5 year portion of the yield curve. Market participants now believe that it is likely that the Fed will raise rates at its upcoming June meeting. How many rate increases occur later in the year will depend on the strength in future employment and inflation numbers. Finally, the pool's duration was 1.06 years, just below last March's level of 1.07 years.

We remain committed to sharing information with pool members, so if you have any questions, email us at investment.pool@kingcounty.gov.

**Impaired Pool Holdings Report
4/30/2017**

| Commercial Paper Issuer | Status | Current Book Value | Estimated Fair Value | Fair Value Adjustment |
|---------------------------------|--------------|---------------------|----------------------|-----------------------|
| Cheyne Finance (1) | Restructured | 787,502.14 | 507,750.00 | 279,752.14 |
| Rhinebridge (1) | Restructured | 84,407.60 | 84,407.60 | - |
| VFNC Trust/Victoria Finance (2) | Restructured | 7,878,805.77 | 5,034,059.00 | 2,844,746.77 |
| Total | | 8,750,715.51 | 5,626,216.60 | 3,124,498.91 |

| | |
|------------------|--------|
| Fair Value Ratio | 0.6429 |
|------------------|--------|

(1) These amounts are related to cash that was retained for DTC indemnifications and other reserves. It could be sometime in 2017 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate.

(2) Victoria Finance's restructuring was completed during September 2009. The name of the restructured entity is VFNC Trust, and the new entity will continue to make monthly principal and interest payments. The *Estimated Fair Value* amount is based on market prices of the underlying securities that are held by VFNC Trust. These prices are provided by the Collateral Agent and the County expects to recover more than this estimated price by receiving regular monthly payments over the coming years.

Impaired Pool Comments:

The majority of the amount remaining in the impaired pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. The monthly distribution for April totaled \$377,975.22. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 85%. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay, and we expect the monthly distributions to continue for at least 5 years.

We do not foresee distributing any realized losses until it is apparent that no further cash flows will be forthcoming. The market for this type of asset is illiquid and accurate pricing is difficult to obtain. Adding the cash recoveries through April to the last estimated price (53.3) for the VFNC Trust security results in an estimated recovery rate to senior investors of about 94%, but the actual recovery rate will depend on the size and duration of the future monthly cash distributions from VFNC Trust. At the time of Victoria's restructuring the County's financial advisory estimated that by participating in the exchange offer that the overall recovery rate could be between 50 to 76 percent, and potentially higher.

The County settled all lawsuits involving the securities held in the impaired pool, and all the parties involved in these lawsuits have reached a mutually acceptable resolution by way of a negotiated settlement that will avoid protracted litigation, there was no admission of liability, and all sides are satisfied with this resolution

The King County Executive Finance Committee approved bifurcation of the investment pool as of September 1, 2008. This separated the impaired investments into their own pool distinct pool from the main pool of performing investments. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool.

Within the impaired pool, future "tail" payments from Cheyne and Rhinebridge are still possible. We expect Rhinebridge to make one final small payment in 2017, and it is likely that Cheyne will also make at least one distribution in 2017. When we determine that no further payments are probable from these impaired securities, any remaining unrealized losses will be distributed.